

MEMO to MAILERS

UNITED STATES POSTAL SERVICE
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CUTTING COSTS

and

MAINTAINING SERVICE

What the MANAGEMENT CHALLENGE means to mailers

"The bottom line is that performance will not diminish because of budget constraints."

Nick Barranca
Vice President
Operations & Planning

The Postal Service is reaffirming its commitment to quality customer service as it plans to cut costs internally to make up for lower-than-expected revenues. "Service is our franchise," Postmaster General Bill Henderson says. "We will take costs out of the system and find ways to eliminate non-value adding costs."

The Postal Service's bottom line was a positive \$550 million for fiscal year 1998 - the agency's fourth straight year of operating surpluses. Because of these successes, the Postal Service delayed implementation of its most recent rate change until January 1999, in effect paying a dividend to postal rate-payers of \$800 million. The Postal Service also plans to stretch its current rates, which were intended to last one year, over two years, with the knowledge that this would call for internal belt-tightening.

"The management challenge facing our team is how to close budget gaps to attain healthy bottom-line results for the current fiscal year and fiscal year 2000," says M. Richard

[continued on page 4](#)

DELIVERY CONFIRMATION IS A BIG HIT

If early returns are any indication, the Postal Service's new Delivery Confirmation program is off "to a roaring start and is an unbridled success," according to Julie Rios, manager, Information Systems, Expedited/Package Services (E/PS).

"On our first full day of operation, more than 56,000 customers bought the new service," Rios says, "and by week's end, the number had gone over a quarter of a million and it just keeps getting better."

Delivery Confirmation, three years in the making, was introduced this spring. It allows the customer to track a package or letter from the point of mailing to delivery. For a small extra fee, the mailpiece is assigned a number that is scanned each time the piece is handled in the mailing process, until its delivery.

A trial and test period was underway in 1997, when a multi-million-dollar contract was awarded to Lockheed Martin to supply the Postal Service with more than 300,000 hand-held scanners to support the program's full deployment.

[continued on page 5](#)

"Delivery Confirmation is the best customer value the Postal Service has offered in 25 years."

Julie Rios
Manager, Information Systems/E/PS

WHAT'S INSIDE

- 2 EDDIE BAUER SWITCHES TO PRIORITY MAIL
- 3 NEW STEP AGAINST FRAUD
- 4 DIRECT MAIL ON THE WEB
- 5 Y2K Q&A
- 6 POSTAL BRIEFS
- 8 PMG ADDRESSES ATLANTA PCC

EDDIE BAUER

switches to PRIORITY MAIL



Eddie Bauer began mailing packages that weigh three pounds or less via United States Postal Service Priority Mail in April.

However, this change was not originally intended to improve customer service or save money. It began as a disaster-avoidance effort.

"When UPS [United Parcel Service] went on strike at the end of 1997, we realized how

dependent Eddie Bauer was on their service," says Betsy Hooper, director, Customer Satisfaction Support.

"Our business requires the constant ability to ship orders," she adds. So, Distribution Fulfillment Services led an initiative in early 1998, with Eddie Bauer and Spiegel as partners, to consider alternative carriers.

"The solution, Postal Service Priority Mail, is a win-win option. We now have an alternative carrier in the event of a work stoppage, the customer often gets his or her purchase faster, and Eddie Bauer will save approximately \$3 million in shipping expenses this year."

Mailing packages via Priority Mail was tested last September with outstanding results. "Better than 98 percent of the time, packages were delivered without any problem," says Hooper.

"During the test, customers in the Midwest received packages as quickly as the day after they placed their orders," says Hooper. "In western states, delivery times were consistently improved, getting the packages to customers well within the five business days that Eddie Bauer promises."

"This test confirmed that this service is the right decision for Eddie Bauer. We are now hoping to have the ability to upgrade to Postal Service Express Mail by peak season."

All packages exceeding three pounds will continue to be shipped via UPS. Deliveries to addresses outside the United States will continue to be shipped via DHL. ■

Eddie Bauer in 1926.

Eddie Bauer®



U.S. MINT SHIPS commemorative quarters by PRIORITY MAIL

The U.S. Mint decided to ship all of its 50 state commemorative quarters over the next 10 years by Priority Mail. The mint cited three reasons for the change: speedy service, affordable price and security. A mail order task force, led by the Inspection Service, also played a significant role by working closely with Mint Security to reduce shipment losses, virtually eliminating lost Registered Mail shipments and substantially reducing misrouted Priority Mail shipments.

Embedded within the 50-State Commemorative Coin Program is the release of five new state quarters per year in the order they joined the Union. During the first year, the Mint estimates shipping over 2.2 million proof sets from the San Francisco Mint and another million uncirculated coin sets from the Philadelphia Mint. According to Mint Director Philip Diehl the 50-State Commemorative Coin Program is the single most important high-profile coin issuance in modern times. ■

INTERNATIONAL PRIORITY AIRMAIL CHARGES LOWERED

The Postal Service has made service and price improvements for International Priority Airmail (IPA), a business service that can be used to deliver letters, printed matter, merchandise and other matter.

"We are making IPA service more convenient, and working with our foreign partners, we have lowered our costs so we can pass the savings on to our customers," says James Grubiak, vice president, International Business Unit.

New IPA rates significantly lower per pound charges and hold per piece rates at current levels. Mailers can further reduce IPA costs by depositing their mailings at one of four regional locations: Jamaica, NY; Miami, FL; Franklin Park, IL; and San Francisco, CA.

Volume discounts, ranging from 5 to 15 percent, are available based on total postage spent by the mailer in the preceding fiscal year on both IPA and International Surface Air Lift (ISAL).

IPA presort country rate groups have been adjusted and minimum weight requirements have risen from 10 to 11 pounds. Both changes mirror current practices for ISAL service and are designed to make it easier for customers to use these complementary services.

IPA changes can be reviewed in the online International Mail Manual at <http://pe.usps.gov>. Additional information on Postal Service global offerings is available at <http://www.uspsglobal.com>. ■

Ever thought about how you can publicize your products and services through direct mail? You may be surprised to know that one of your most valuable resources is the Postal Service. Its new website, <http://www.uspsdirectmail.com>, has been created to help business people enhance their sales and marketing results through direct mail.

"Our goals are to educate businesses on the benefits of direct mail and provide them with the guidance, tools and support they need to develop their own direct mail campaigns," says the Postal Service's Rod DeVar, manager, AdMail Business Growth. "This is a free service that offers users valuable information about this important marketing medium at the click of a mouse."

INTERACTIVE SHOPPING

Primarily targeting small to medium-sized businesses — but also useful for large businesses — uspsdirectmail.com currently offers a multitude of edu-

MAKE A STOP on the information superhighway – visit **USPSDIRECTMAIL.COM**

cational resources, such as the "Direct Mail Wizard," an interactive guide that provides simple instructions on how to implement a direct mail campaign. Wondering how other companies have succeeded with direct mail? Review industry case studies and direct mail design templates.

Still have some questions about launching your own direct mail campaign? Take a look at the Frequently Asked Questions page or the online version of the Postal Service's "Direct Mail by the Numbers" information kit. Trying to keep on top of the latest industry news or direct mail trends? Visit the industry news updates section when you visit the site.

Uspsdirectmail.com updates

Direct Mail ads like this one are appearing around the country in various media.

are scheduled for June and September to make the site even more interactive. These "renovations" will include:

- The introduction of on-line chat groups and a bulletin board for posting direct mail questions to Postal experts.
- The opportunity to link to relevant industry associations as well as to vendors in fields



CUTTING COSTS MAINTAINING SERVICE

continued from page 1

Porras, the Postal Service's chief financial officer and senior vice president. At the end of accounting period 8, net income is \$1.033 billion, which is \$343 million below plan. Most of this variance stems from a \$268 million revenue shortfall. In order to meet this financial challenge,

the Postal Service needs to exceed its net income plan of \$200 million this fiscal year and \$100 million next fiscal year.

Says Nick Barranca, vice president of Operations Planning, "The bottom line is that performance will not diminish because of budget constraints. Service and efficient operation are our focus. We will evaluate specific programs with no change to basic functions."

Jack Potter, senior vice president for Operations, asked the mailers to contact postal officials should delivery delays be detected. Acknowledging that the Postal Service has a

poor reputation for balancing budget reductions with productivity, Potter insisted that customer service will prevail.

"We need to have a heightened awareness," Barranca said recently at the Mailers Technical Advisory Committee meeting. "In the past, customers have said that no one listened to their complaints," he said. "We want mailers to know that we're listening."

Says Clarence Lewis, executive vice president and chief operating officer, "We are just working harder, working smarter and being more fiscally responsible to our customers, to our employees and to the organization."

In addition, the Postal Service plans to move forward with its capital investment plan of \$4 billion next year. ■

such as print production, design and lettershop.

WHY DIRECT MAIL?

Why should you consider direct mail? In addition to being both targetable and measurable, it is also profitable. In 1998, direct mail in the United States generated a total of \$421 billion in sales, far exceeding most other direct marketing media categories. "Research from the Direct Marketing Association shows that every dollar spent on direct mail advertising brings \$10 in sales — twice the amount generated by a TV ad," says DeVar. "Current projections indicate that businesses can expect direct mail sales to increase more than 7 percent annually between now and 2002."

If you'd like more information on uspsdirectmail.com, please contact Bob Martone, Internet Ventures Business Manager, U.S. Postal Service, at (202) 268-4692 or rmartone@email.usps.gov. ■

MANAGEMENT CHALLENGE

	FY 1999	FY2000
Forecast	\$200M	<\$700M>
Plan	\$200M	\$150M
Challenge	\$420M	\$1040M